

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

| | | | |
|--|-------------------------------|---|-----------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Village of Cassopolis | County Cass County |
| Fiscal Year End February 28, 2006 | Opinion Date June 14, 2006 | Date Audit Report Submitted to State August 30, 2006 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|---|-------------------------------------|--|-------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Willis & Jurasek, P.C. | | Telephone Number (517) 788-8660 | |
| Street Address 2545 Spring Arbor Road, Suite 200 | | City Jackson | State MI |
| | | Zip 49203 | |
| Authorizing CPA Signature F. Roger Mack, CPA | | Printed Name F. Roger Mack | |
| | | License Number 1101020342 | |

Village of Cassopolis

Financial Statements
And Independent Auditors' Report

Year Ended February 28, 2006

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Independent Auditors' Report

To the Honorable President and
Members of the Village Council
Village of Cassopolis
Cassopolis, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cassopolis as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cassopolis as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2006, on our consideration of the Village's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Village of Cassopolis has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on pages 25-27 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
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Jackson, Michigan 49204-0039

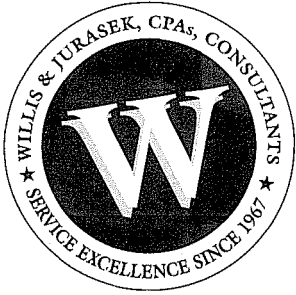
Honorable President and
Members of the Village Council
Village of Cassopolis
Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Village of Cassopolis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

June 14, 2006



**Reporting Based on an Audit of Financial Statements
Performed in Accordance With
Government Auditing Standards**

Honorable President and
Members of the Village Council
Village of Cassopolis
Cassopolis, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cassopolis as of and for the year ended February 28, 2006, and have issued our report thereon dated June 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Cassopolis' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Cassopolis in a separate letter dated June 14, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Cassopolis' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Cassopolis in a separate letter dated June 14, 2006.

This report is intended for the information and use of the Village Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

June 14, 2006

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Post Office Box 39
Jackson, Michigan 49204-0039

Village of Cassopolis
Statement of Net Assets
February 28, 2006

| | Primary Government | | |
|--|---------------------------|----------------------|---------------------|
| | Governmental | Business-type | Total |
| | Activities | Activities | |
| Assets: | | | |
| Cash and investments | \$ 386,957 | \$ 476,151 | \$ 863,108 |
| Receivables | 112,917 | 104,070 | 216,987 |
| Note receivable | 73,795 | - | 73,795 |
| Internal balances | 70,500 | (70,500) | - |
| Prepaid expenses | 37,851 | 10,565 | 48,416 |
| Inventory | - | 26,680 | 26,680 |
| Capital assets, net: | | | |
| Not being depreciated | 132,751 | 63,597 | 196,348 |
| Being depreciated | <u>974,940</u> | <u>4,205,025</u> | <u>5,179,965</u> |
| Total assets | <u>1,789,711</u> | <u>4,815,588</u> | <u>6,605,299</u> |
| Liabilities: | | | |
| Accounts payable | 59,955 | 52,427 | 112,382 |
| Accrued expenses | 34,071 | 1,097 | 35,168 |
| Accrued interest | - | 21,353 | 21,353 |
| Deferred revenue | - | 10,200 | 10,200 |
| Deposits | - | 14,051 | 14,051 |
| Noncurrent liabilities: | | | |
| Due within one year | 10,306 | 158,000 | 168,306 |
| Due in more than one year | <u>160,144</u> | <u>1,291,000</u> | <u>1,451,144</u> |
| Total liabilities | <u>264,476</u> | <u>1,548,128</u> | <u>1,812,604</u> |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 937,241 | 2,819,622 | 3,756,863 |
| Restricted | - | 181,740 | 181,740 |
| Unrestricted | <u>587,994</u> | <u>266,098</u> | <u>854,092</u> |
| Total net assets | <u>\$ 1,525,235</u> | <u>\$ 3,267,460</u> | <u>\$ 4,792,695</u> |

See Notes to Financial Statements.

Village of Cassopolis
Statement of Activities
Year Ended February 28, 2006

| Functions/Programs | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Assets | | |
|----------------------------------|---------------------|----------------------|------------------------------------|---|--------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| | | | | | | |
| Primary Government | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 409,886 | \$ 36,769 | \$ - | \$ (373,117) | \$ - | \$ (373,117) |
| Public safety | 504,279 | 39,105 | 107,151 | (358,023) | - | (358,023) |
| Public works | 117,927 | - | 137,511 | 19,584 | - | 19,584 |
| Recreation and cultural | 43,835 | - | - | (43,835) | - | (43,835) |
| Community/economic development | 40,948 | - | 15,000 | (25,948) | - | (25,948) |
| Interest | 10,545 | - | - | (10,545) | - | (10,545) |
| Total governmental activities | <u>1,127,420</u> | <u>75,874</u> | <u>259,662</u> | <u>(791,884)</u> | <u>-</u> | <u>(791,884)</u> |
| Business-type activities: | | | | | | |
| Water | 470,626 | 403,272 | - | - | (67,354) | (67,354) |
| Sewer | 329,707 | 327,063 | - | - | (2,644) | (2,644) |
| C.A.U.A. | <u>283,392</u> | <u>277,985</u> | <u>-</u> | <u>-</u> | <u>(5,407)</u> | <u>(5,407)</u> |
| Total business-type activities | <u>1,083,725</u> | <u>1,008,320</u> | <u>-</u> | <u>-</u> | <u>(75,405)</u> | <u>(75,405)</u> |
| Total primary government | <u>\$ 2,211,145</u> | <u>\$ 1,084,194</u> | <u>\$ 259,662</u> | <u>(791,884)</u> | <u>(75,405)</u> | <u>(867,289)</u> |
| General revenues: | | | | | | |
| Property taxes | | | | 486,070 | - | 486,070 |
| State shared revenue | | | | 222,406 | - | 222,406 |
| Interest and investment earnings | | | | 15,361 | 7,973 | 23,334 |
| Other revenues | | | | <u>86,881</u> | <u>4,929</u> | <u>91,810</u> |
| Total general revenues | | | | <u>810,718</u> | <u>12,902</u> | <u>823,620</u> |
| Changes in Net Assets | | | | 18,834 | (62,503) | (43,669) |
| Net Assets - Beginning of Year | | | | <u>1,506,401</u> | <u>3,329,963</u> | <u>4,836,364</u> |
| Net Assets - End of Year | | | | <u>\$ 1,525,235</u> | <u>\$ 3,267,460</u> | <u>\$ 4,792,695</u> |

See Notes to Financial Statements.

Village of Cassopolis
Balance Sheet
Governmental Funds
February 28, 2006

| | General | Major Street | Local Street | Other Nonmajor Governmental Funds | Total |
|--|-------------------|-------------------------|-------------------------|--|-------------------|
| <u>Assets</u> | | | | | |
| Cash | \$ 102,570 | \$ 70,112 | \$ 28,014 | \$ 116,734 | \$ 317,430 |
| Receivables: | | | | | |
| Taxes receivable | 37,111 | - | - | - | 37,111 |
| Accounts receivable | 5,513 | - | - | 17,388 | 22,901 |
| Interest | 124 | - | - | 223 | 347 |
| Due from other governmental units | 27,760 | 18,488 | 6,341 | - | 52,589 |
| Due from other funds | 105,000 | - | - | - | 105,000 |
| Note receivable | 73,795 | - | - | - | 73,795 |
| Prepaid expenditures | 30,655 | - | - | 188 | 30,843 |
| Total assets | <u>\$ 382,528</u> | <u>\$ 88,600</u> | <u>\$ 34,355</u> | <u>\$ 134,533</u> | <u>\$ 640,016</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 27,997 | \$ 1,226 | \$ 980 | \$ 29,500 | \$ 59,703 |
| Due to other funds | 34,500 | - | - | - | 34,500 |
| Salaries payable | 10,030 | - | - | - | 10,030 |
| Accrued expenditures | 5,276 | - | - | - | 5,276 |
| Deferred revenue | 73,795 | - | - | - | 73,795 |
| Total liabilities | <u>151,598</u> | <u>1,226</u> | <u>980</u> | <u>29,500</u> | <u>183,304</u> |
| Fund Balances: | | | | | |
| Perpetual care and endowment | - | - | - | 44,177 | 44,177 |
| Unreserved; undesignated | 230,930 | 87,374 | 33,375 | - | 351,679 |
| Unreserved; undesignated- reported in nonmajor: | | | | | |
| Special revenue funds | - | - | - | 60,856 | 60,856 |
| Total fund balances | <u>230,930</u> | <u>87,374</u> | <u>33,375</u> | <u>105,033</u> | <u>456,712</u> |
| Total liabilities and fund balances | <u>\$ 382,528</u> | <u>\$ 88,600</u> | <u>\$ 34,355</u> | <u>\$ 134,533</u> | <u>\$ 640,016</u> |

See Notes to Financial Statements.

Village of Cassopolis

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets February 28, 2006

| | | |
|---|-----------|----------------|
| Total Fund Balances - Governmental Funds | \$ | 456,712 |
|---|-----------|----------------|

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is

\$ 2,421,383

Accumulated depreciation is

(1,313,692)

1,107,691

Because the focus of governmental funds is on short-term financing,
some assets will not be available to pay for current-period expenditures.
Those assets (such as certain receivables) are offset by deferred revenues
in the governmental funds, and these are not included in fund balance.

Deferred note receivable

73,795

Internal service funds are used by management to charge the costs of certain
equipment usage and administrative costs to individual governmental funds.
The assets and liabilities of the internal service funds are included in governmental
activities in the Statement of Net Assets.

Net assets of governmental activities accounted for in the internal service fund

76,252

Long-term liabilities not due and payable in the current period
and not reported in the funds:

Bonds payable

(170,450)

Compensated absences

(18,765)

Total Net Assets - Governmental Activities

\$ 1,525,235

Village of Cassopolis
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended February 28, 2006

| | <u>General</u> | <u>Major Street</u> | <u>Local Street</u> | <u>Other Nonmajor Governmental Funds</u> | <u>Total</u> |
|---|-------------------|-------------------------|-------------------------|--|-------------------|
| Revenues: | | | | | |
| Taxes | \$ 486,070 | \$ - | \$ - | \$ - | \$ 486,070 |
| Licenses and permits | 11,780 | - | - | - | 11,780 |
| Intergovernmental | 362,267 | 102,500 | 35,011 | 15,000 | 514,778 |
| Charges for services | 14,740 | - | - | 18,370 | 33,110 |
| Fines and forfeits | 5,449 | - | - | - | 5,449 |
| Other | 131,101 | - | - | 670 | 131,771 |
| Total revenues | <u>1,011,407</u> | <u>102,500</u> | <u>35,011</u> | <u>34,040</u> | <u>1,182,958</u> |
| Expenditures: | | | | | |
| General government | 347,317 | - | - | 33,646 | 380,963 |
| Public safety | 559,773 | - | - | 52 | 559,825 |
| Public works | - | 74,229 | 43,698 | - | 117,927 |
| Recreation and culture | 33,568 | - | - | - | 33,568 |
| Community and economic development | 17,683 | - | - | 23,265 | 40,948 |
| Debt service: | | | | | |
| Principal payments | 9,707 | - | - | - | 9,707 |
| Interest and fiscal charges | 10,545 | - | - | - | 10,545 |
| Total expenditures | <u>978,593</u> | <u>74,229</u> | <u>43,698</u> | <u>56,963</u> | <u>1,153,483</u> |
| Revenues Over (Under) Expenditures | <u>32,814</u> | <u>28,271</u> | <u>(8,687)</u> | <u>(22,923)</u> | <u>29,475</u> |
| Other Financing Sources (Uses): | | | | | |
| Operating transfers in | - | 15,899 | 9,883 | 17,000 | 42,782 |
| Operating transfers out | (42,782) | - | - | - | (42,782) |
| Total other financing sources (uses) | <u>(42,782)</u> | <u>(15,899)</u> | <u>9,883</u> | <u>17,000</u> | <u>-</u> |
| Net Changes in Fund Balances | <u>(9,968)</u> | <u>44,170</u> | <u>1,196</u> | <u>(5,923)</u> | <u>29,475</u> |
| Fund Balances - Beginning of Year | <u>240,898</u> | <u>43,204</u> | <u>32,179</u> | <u>110,956</u> | <u>427,237</u> |
| Fund Balances - End of Year | <u>\$ 230,930</u> | <u>\$ 87,374</u> | <u>\$ 33,375</u> | <u>\$ 105,033</u> | <u>\$ 456,712</u> |

See Notes to Financial Statements.

Village of Cassopolis
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended February 28, 2006

| | | |
|---|-----------|---------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 29,475 |
|---|-----------|---------------|

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

| | | |
|----------------------|---------------|--------|
| Depreciation expense | \$ (72,077) | |
| Capital outlay | <u>87,723</u> | 15,646 |

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds, but rather are deferred
to the following fiscal year.

| | |
|---------------------------------------|---------|
| Current year deferred note receivable | (9,935) |
|---------------------------------------|---------|

Bond proceeds are reported as financing sources in governmental funds
and thus contribute to the change in fund balance. In the Statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

| | |
|---------------------------|-------|
| Repayment to bond holders | 9,707 |
|---------------------------|-------|

An internal service fund is used by management to charge the costs of
certain equipment usage to individual governmental funds. The net revenue
(expense) of the fund attributable to those funds is reported with
governmental activities.

| | |
|--|----------|
| Net operating income from governmental activities in the internal service fund | (26,769) |
|--|----------|

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the funds.

| | |
|---|------------|
| Decrease in compensated absence payable | <u>710</u> |
|---|------------|

| | | |
|--|-----------|----------------------|
| Change in Net Assets of Governmental Activities | \$ | <u>18,834</u> |
|--|-----------|----------------------|

Village of Cassopolis

Statement of Net Assets

Proprietary Funds

February 28, 2006

| | Enterprise Funds | | | | Internal Service Fund |
|---|---------------------|-------------------|--------------------|---------------------|-------------------------|
| | Water Fund | Sewer Fund | C.A.U.A. Fund | Total | Motor Vehicle Pool Fund |
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash | \$ 188,919 | \$ 272,355 | \$ 14,877 | \$ 476,151 | \$ 69,527 |
| Accounts receivable | 43,821 | 36,349 | 23,900 | 104,070 | - |
| Due from other funds | - | 34,500 | - | 34,500 | - |
| Inventory | 26,680 | - | - | 26,680 | - |
| Prepaid expenses | 3,323 | 2,000 | 5,242 | 10,565 | 7,008 |
| Total current assets | <u>262,743</u> | <u>345,204</u> | <u>44,019</u> | <u>651,966</u> | <u>76,535</u> |
| Property, plant and equipment: | | | | | |
| Land and improvements | 63,597 | - | - | 63,597 | - |
| Plant and equipment | <u>6,331,155</u> | <u>733,648</u> | <u>32,666</u> | <u>7,097,469</u> | <u>375,176</u> |
| | 6,394,752 | 733,648 | 32,666 | 7,161,066 | 375,176 |
| Less accumulated depreciation | <u>(2,561,698)</u> | <u>(312,543)</u> | <u>(18,203)</u> | <u>(2,892,444)</u> | <u>(329,249)</u> |
| Total property, plant and equipment | <u>3,833,054</u> | <u>421,105</u> | <u>14,463</u> | <u>4,268,622</u> | <u>45,927</u> |
| Total assets | <u>4,095,797</u> | <u>766,309</u> | <u>58,482</u> | <u>4,920,588</u> | <u>122,462</u> |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 3,187 | 28,759 | 20,481 | 52,427 | 283 |
| Accrued expenses | 989 | 108 | - | 1,097 | - |
| Current portion of bonds payable | 83,000 | 75,000 | - | 158,000 | - |
| Accrued interest | 21,353 | - | - | 21,353 | - |
| Deposits | 14,051 | - | - | 14,051 | - |
| Due to other funds | - | - | 105,000 | 105,000 | - |
| Deferred revenue | - | 10,200 | - | 10,200 | - |
| Total current liabilities | <u>122,580</u> | <u>114,067</u> | <u>125,481</u> | <u>362,128</u> | <u>283</u> |
| Noncurrent liabilities: | | | | | |
| Bonds payable | <u>1,006,000</u> | <u>285,000</u> | <u>-</u> | <u>1,291,000</u> | <u>-</u> |
| Total liabilities | <u>1,128,580</u> | <u>399,067</u> | <u>125,481</u> | <u>1,653,128</u> | <u>283</u> |
| Net Assets: | | | | | |
| Invested in capital assets, net of related debt | 2,722,701 | 61,105 | 14,463 | 2,798,269 | 45,927 |
| Restricted | 181,740 | - | - | 181,740 | - |
| Unrestricted | <u>62,776</u> | <u>306,137</u> | <u>(81,462)</u> | <u>287,451</u> | <u>76,252</u> |
| Total net assets | <u>\$ 2,967,217</u> | <u>\$ 367,242</u> | <u>\$ (66,999)</u> | <u>\$ 3,267,460</u> | <u>\$ 122,179</u> |

See Notes to Financial Statements.

Village of Cassopolis
Statement of Revenues, Expenses and
Changes in Net Assets - Proprietary Funds
Year Ended February 28, 2006

| | Enterprise Funds | | | | Internal Service Fund |
|---|---------------------|-------------------|--------------------|---------------------|-------------------------|
| | Water Fund | Sewer Fund | C.A.U.A. Fund | Total | Motor Vehicle Pool Fund |
| Operating Revenues: | | | | | |
| Charges for services | \$ 337,477 | \$ 320,835 | \$ 277,985 | \$ 936,297 | \$ - |
| Penalties | 6,818 | 6,228 | - | 13,046 | - |
| Trash revenues | 58,591 | - | - | 58,591 | - |
| Miscellaneous | 2,714 | 1,700 | - | 4,414 | 67,021 |
| Total operating revenues | <u>405,600</u> | <u>328,763</u> | <u>277,985</u> | <u>1,012,348</u> | <u>67,021</u> |
| Operating Expenses | <u>390,398</u> | <u>296,494</u> | <u>283,392</u> | <u>970,284</u> | <u>93,790</u> |
| Operating Income | <u>15,202</u> | <u>32,269</u> | <u>(5,407)</u> | <u>42,064</u> | <u>(26,769)</u> |
| Non-Operating Revenues (Expenses): | | | | | |
| Sale of supplies | 901 | - | - | 901 | - |
| Interest income | 2,421 | 5,552 | - | 7,973 | - |
| Interest expense | (80,228) | (33,213) | - | (113,441) | - |
| Total non-operating revenues (expenses) | <u>(76,906)</u> | <u>(27,661)</u> | <u>-</u> | <u>(104,567)</u> | <u>-</u> |
| Net Income | (61,704) | 4,608 | (5,407) | (62,503) | (26,769) |
| Net Assets - Beginning of Year | <u>3,028,921</u> | <u>362,634</u> | <u>(61,592)</u> | <u>3,329,963</u> | <u>148,948</u> |
| Net Assets - End of Year | <u>\$ 2,967,217</u> | <u>\$ 367,242</u> | <u>\$ (66,999)</u> | <u>\$ 3,267,460</u> | <u>\$ 122,179</u> |

See Notes to Financial Statements.

Village of Cassopolis
Statement of Cash Flows
Proprietary Funds
Year Ended February 28, 2006

| | Enterprise Funds | | | | Internal Service Fund |
|--|-------------------------|-------------------|----------------------|-------------------|--------------------------------|
| | Water Fund | Sewer Fund | C.A.U.A. Fund | Total | Motor Vehicle Pool Fund |
| Reconciliation of Operating Loss to Net Cash | | | | | |
| Provided by Operating Activities: | | | | | |
| Operating income (loss) | \$ 15,202 | \$ 32,269 | \$ (5,407) | \$ 42,064 | \$ (26,769) |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | | |
| Depreciation | 150,464 | 28,711 | 2,351 | 181,526 | 27,215 |
| Change in: | | | | - | |
| Accounts receivable | (1,440) | (292) | 38,515 | 36,783 | - |
| Interest receivable | 261 | - | - | 261 | - |
| Due from other funds | 41,238 | 24,335 | - | 65,573 | 80,340 |
| Inventory | (1,049) | - | - | (1,049) | 2,800 |
| Prepaid expenses | (3,323) | (2,000) | (5,242) | (10,565) | (7,008) |
| Accounts payable | (589) | 18,162 | 8,605 | 26,178 | (1,387) |
| Accrued expenses | 21,353 | - | (355) | 20,998 | - |
| Deposits | (256) | - | - | (256) | - |
| Due to other funds | (110,118) | (26,450) | (5,631) | (142,199) | (8,352) |
| Deferred revenue | - | (1,700) | - | (1,700) | - |
| | <u>111,743</u> | <u>73,035</u> | <u>32,836</u> | <u>217,614</u> | <u>66,839</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | | |
| Acquisition of capital assets | - | (26,170) | (3,397) | (29,567) | (11,953) |
| Principal paid on revenue bonds | (77,000) | (70,000) | - | (147,000) | - |
| Interest paid on revenue bonds | (80,228) | (33,213) | - | (113,441) | - |
| | <u>(157,228)</u> | <u>(129,383)</u> | <u>(3,397)</u> | <u>(290,008)</u> | <u>(11,953)</u> |
| Cash Flows From Investing Activities: | | | | | |
| Interest on investments | 2,421 | 5,552 | - | 7,973 | - |
| Other nonoperating revenue | 901 | - | - | 901 | - |
| | <u>3,322</u> | <u>5,552</u> | <u>-</u> | <u>8,874</u> | <u>-</u> |
| Net Increase in Cash | (42,163) | (50,796) | 29,439 | (63,520) | 54,886 |
| Cash and investments - Beginning of Year | <u>231,082</u> | <u>323,151</u> | <u>(14,562)</u> | <u>539,671</u> | <u>14,641</u> |
| Cash and Investments - End of Year | <u>\$ 188,919</u> | <u>\$ 272,355</u> | <u>\$ 14,877</u> | <u>\$ 476,151</u> | <u>\$ 69,527</u> |

See Notes to Financial Statements.

Village of Cassopolis
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of Village Operations

The Village of Cassopolis, Michigan, covers an area of approximately one square mile in Cass County. The Village operates under an elected President and Council (nine members) and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. The criteria established by Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships.

Reporting Entity

Generally accepted accounting principles require the reporting entity to include the Village of Cassopolis (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Economic Development Authority is included as a blended component unit and is reported within the General Fund. The component unit is included in the reporting entity because of the significance of its operational and financial relationship with the Village.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Village of Cassopolis
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund – This fund reports the activity of the major street construction and outlays for Act 51 monies.

Local Street Fund – This fund reports the activity of the local street construction and outlays for Act 51 monies.

Village of Cassopolis
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

The government reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the activities of the government's water production, purification, and distribution systems.

Sewer Fund – The Sewer Fund accounts for the activities of the government's sewage collection and treatment systems.

C.A.U.A. Fund – The C.A.U.A. Fund accounts for the activities of the government's sewage collection and treatment systems and water production, purification, and distribution systems.

Additionally, the government reports the following fund types:

Special Revenue Funds – These funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Internal Service Fund – The internal service fund accounts for operations that provide services (equipment rental) to other departments of the Village on a cost-reimbursement basis.

Additional Financial Statement Presentation Information - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water and sewer enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Village of Cassopolis
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Village reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Village to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventory – Inventory is valued at cost, which approximates market, using the first-in, first-out method.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain proceeds of the Enterprise Funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

Village of Cassopolis
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 50 |
| Vehicles | 5 - 12 |
| Equipment | 5 - 20 |
| Infrastructure | 15 - 50 |
| Plant and systems | 10 - 50 |

Compensated Absences – It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation, sick and personal days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Village of Cassopolis
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Property Taxes - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 30 and become delinquent on October 1; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Cass County through their revolving tax fund. The Village is responsible for collecting its own delinquent personal property taxes.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for 2004 had a taxable value of approximately \$27,000,000. The government's general operating tax rate for fiscal year 2005-06 was 16.8449 mills, with an additional .4610 mills levied for fire services.

2. Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget. Budget procedures are as such:

- 1) A general and special revenue funds budget is presented to the Village Council prior to the beginning of the fiscal year. A Public Hearing is held before final approval is made by the Village Council.
- 2) The budget is then approved by the Village Council prior to the beginning of the new fiscal year.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed the fund totals in the general fund and special revenue funds.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Board for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The Governing Board has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without Board approval.
- 8) The budgetary information presented has not been amended during the year by an official action of the Village Council.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

Village of Cassopolis
Notes to Financial Statements

3. Cash and Investments

To facilitate better management of the Village's resources, cash is combined in a pooled operating account for much of the Village's activity.

At year-end, the Village's deposits were reported in the basic financial statements in the following categories:

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total Primary Government</u> |
|----------------------|------------------------------------|---|---|
| Cash and investments | \$ <u>386,957</u> | \$ <u>476,151</u> | \$ <u>863,108</u> |

The breakdown between deposits and investments for the Village are as follows:

| | |
|---|-------------------|
| Deposits (checking and savings accounts, certificates of deposit) | \$ 863,058 |
| Petty cash and cash on hand | <u>50</u> |
| Total | \$ <u>863,108</u> |

Investment and Deposit Risk

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The Village's investment policy does not have specific limits in excess of State law on investment credit risk.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year end \$507,934 of the Village's bank balance of \$840,730 was exposed to custodial credit risk because it was uninsured and uncollateralized.

4. Receivables

Receivables of the governmental activities of the primary government at February 28, 2006 consist of the following:

| | |
|--|-------------------|
| Other governmental units (primarily the State of Michigan) | \$ 52,589 |
| Property taxes | 37,111 |
| Interest receivable | 316 |
| Accounts receivable | <u>22,901</u> |
| | \$ <u>112,917</u> |

Village of Cassopolis
Notes to Financial Statements

5. Capital Assets

Capital assets activity for the year ended February 28, 2006 was as follows:

| Primary Government | Beginning Balance | Additions | Disposals and Adjustments | Ending Balance |
|--|------------------------------|---------------------|--------------------------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 132,751 | \$ - | \$ - | \$ 132,751 |
| Total capital assets not being depreciated | <u>132,751</u> | <u>-</u> | <u>-</u> | <u>132,751</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 671,482 | 6,257 | - | 677,739 |
| Land improvements | 143,416 | - | - | 143,416 |
| Equipment and furniture | 788,313 | 93,419 | - | 881,732 |
| Vehicles | 500,264 | - | - | 500,264 |
| Park improvements | <u>85,481</u> | <u>-</u> | <u>-</u> | <u>85,481</u> |
| Total capital assets being depreciated | <u>2,188,956</u> | <u>99,676</u> | <u>-</u> | <u>2,288,632</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 105,404 | 14,591 | - | 119,995 |
| Land improvements | 19,251 | 13,585 | - | 32,836 |
| Equipment and furniture | 631,009 | 53,390 | - | 684,399 |
| Vehicles | 425,313 | 13,271 | - | 438,584 |
| Park improvements | <u>33,423</u> | <u>4,455</u> | <u>-</u> | <u>37,878</u> |
| Total accumulated depreciation | <u>1,214,400</u> | <u>99,292</u> | <u>-</u> | <u>1,313,692</u> |
| Total capital assets being depreciated - net | <u>974,556</u> | <u>384</u> | <u>-</u> | <u>974,940</u> |
| Governmental activities capital assets - net | <u>\$ 1,107,307</u> | <u>\$ 384</u> | <u>\$ -</u> | <u>\$ 1,107,691</u> |
| Business-Type Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 63,597 | \$ - | \$ - | \$ 63,597 |
| Total capital assets not being depreciated | <u>63,597</u> | <u>-</u> | <u>-</u> | <u>63,597</u> |
| Capital assets being depreciated: | | | | |
| Machinery and equipment | 202,259 | - | - | 202,259 |
| Water system and improvements | 3,655,364 | - | - | 3,655,364 |
| Sewer system and improvements | 1,261,028 | 29,566 | - | 1,261,028 |
| Interceptor system | 1,824,235 | - | - | 1,824,235 |
| Office equipment | 26,714 | - | - | 26,714 |
| Building | <u>98,303</u> | <u>-</u> | <u>-</u> | <u>98,303</u> |
| Total capital assets being depreciated | <u>7,067,903</u> | <u>29,566</u> | <u>-</u> | <u>7,097,469</u> |
| Accumulated depreciation | <u>2,710,919</u> | <u>181,525</u> | <u>-</u> | <u>2,892,444</u> |
| Total capital assets being depreciated - net | <u>4,356,984</u> | <u>(151,959)</u> | <u>-</u> | <u>4,205,025</u> |
| Business-type activities capital assets - net | <u>\$4,420,581</u> | <u>\$ (151,959)</u> | <u>\$ -</u> | <u>\$4,268,622</u> |

Village of Cassopolis
Notes to Financial Statements

5. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|-------------------|
| Governmental Activities: | |
| General government | \$ 35,890 |
| Public safety | 25,920 |
| Recreation and culture | 10,267 |
| Capital assets held by the Village's internal service funds are charged to the various functions based on their usage of the assets | <u>27,215</u> |
| Total depreciation expense – governmental activities | <u>\$ 99,292</u> |
| Business-Type Activities: | |
| Sewer | \$ 28,710 |
| Water | 150,464 |
| CAUA | <u>2,351</u> |
| Total depreciation expense – business-type activities | <u>\$ 181,525</u> |

6 Interfund Receivables, Payables and Transfers

The Village reports interfund balances between many of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

| | <u>Receivable</u> | <u>Payable</u> |
|---------------------------------|---------------------|----------------------|
| Due from/to other funds: | | |
| General Fund | \$ 105,000 | \$ 34,500 |
| Sewer Fund | 34,500 | - |
| CAUA | <u>-</u> | <u>105,000</u> |
| | <u>\$ 139,500</u> | <u>\$ 139,500</u> |
| | <u>Transfers In</u> | <u>Transfers Out</u> |
| Transfers: | | |
| General Fund | \$ - | \$ 42,782 |
| Major Street Fund | 15,899 | - |
| Local Street Fund | 9,883 | |
| Nonmajor Governmental Funds | <u>17,000</u> | <u>-</u> |
| | <u>\$ 42,782</u> | <u>\$ 42,782</u> |

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Village of Cassopolis
Notes to Financial Statements

7. Long-Term Debt

The summary of long-term debt transactions of the Village for the year ended February 28, 2006 is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|---------------------------------|------------------------------|------------------------|-------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Installment Purchase Agreement | \$ <u>180,157</u> | \$ <u> </u> - | \$ <u>9,707</u> | \$ <u>170,450</u> | \$ <u>10,306</u> |

Loan and installment obligations currently outstanding are as follows:

| <u>Purpose</u> | <u>Due in Fiscal Year End</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--|---------------------------------------|---------------------------|-------------------|
| Installment purchase agreement - Building – City Hall | 2018 | 6.00% | \$ <u>170,450</u> |

Annual debt service requirements to maturity on the above governmental obligations are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------|------------------|-------------------|
| 2007 | \$ 10,306 | \$ 9,947 | \$ 20,252 |
| 2008 | 10,942 | 9,311 | 20,253 |
| 2009 | 11,616 | 8,636 | 20,252 |
| 2010 | 12,333 | 7,920 | 20,253 |
| 2011 | 13,094 | 7,159 | 20,252 |
| 2012-2016 | 78,624 | 22,637 | 101,261 |
| 2017-2018 | <u>33,535</u> | <u>1,873</u> | <u>35,408</u> |
| Total | \$ <u>170,450</u> | \$ <u>67,483</u> | \$ <u>237,933</u> |

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|----------------------------------|------------------------------|------------------------|-------------------|---------------------------|--|
| Business-Type Activities: | | | | | |
| Bonds | \$ <u>1,596,000</u> | \$ <u> </u> - | \$ <u>147,000</u> | \$ <u>1,449,000</u> | \$ <u>158,000</u> |

Bonds currently outstanding are as follows:

| <u>Purpose</u> | <u>Due in Fiscal Year End</u> | <u>Interest Rates</u> | <u>Amount</u> |
|---|---------------------------------------|---------------------------|---------------------|
| 1989A Revenue Bonds Sewer Improvements | 2012 | 7.60 – 7.70% | \$ 360,000 |
| 1989B Revenue Bonds Water Improvements | 2009 | 7.60 – 7.65% | 140,000 |
| 1998 Revenue Bonds Water Improvements | 2039 | 4.50 – 4.50% | <u>949,000</u> |
| | | | \$ <u>1,449,000</u> |

Village of Cassopolis
Notes to Financial Statements

7. Long-Term Debt (Continued)

Annual debt service requirements to maturity on the above governmental obligations are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|--------------------|-------------------|--------------------|
| 2007 | \$ 158,000 | \$ 61,583 | \$ 219,589 |
| 2008 | 164,000 | 55,434 | 219,434 |
| 2009 | 94,000 | 49,067 | 148,067 |
| 2010 | 110,000 | 45,142 | 155,142 |
| 2011 | 40,000 | 40,810 | 80,810 |
| 2012-2016 | 89,000 | 187,942 | 276,942 |
| 2017-2021 | 110,000 | 165,600 | 275,600 |
| 2022-2026 | 137,000 | 137,902 | 274,902 |
| 2027-2031 | 171,000 | 103,387 | 274,387 |
| 2032-2036 | 213,000 | 60,323 | 273,323 |
| 2037-2039 | 158,000 | 11,070 | 169,070 |
| Total | <u>\$1,449,000</u> | <u>\$ 918,266</u> | <u>\$2,367,266</u> |

9. Retirement System

The Village implemented a defined contribution salary deferral plan effective March 1, 2001, which covers all full time employees after 12 months of service. Under the plan, the Village contributes 3% of eligible compensation regardless of whether the employee opts to contribute to the plan. Employees become vested for the Villages' contribution after three years of service and immediately for their own contributions. Plan expenses were approximately \$12,000 for the year ended February 28, 2006.

10. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water Fund, Sewer Fund and C.A.U.A., are reported as major funds in the fund financial statements, segment disclosures herein are not required.

11. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, as well as medical benefits provided to employees. The Village has purchased commercial insurance for workers' compensation, death and disability, hospitalization and life claims, and participates in the Michigan Municipal League risk pool for claims relating to liability, fire, fleet, and bonds. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Village of Cassopolis
Notes to Financial Statements

12. Reserved Fund Equity

The net asset reserves totaling \$181,740 indicate the portion of the net assets which are legally restricted by the revenue bond indenture and ordinances.

13. Accumulated Deficit Net Assets

The Village has an accumulated deficit net assets in the C.A.U.A. Enterprise fund in the amount of \$66,999. which is expected to be eliminated through an evaluation of the fee structure.

14. Construction Code Act

A summary of construction code enforcement transactions for the year ended February 28, 2006, are as follows:

| | |
|---|-------------------|
| Permit revenues | \$ 10,652 |
| Permit expenditures | <u>(20,149)</u> |
| Deficiency of revenue over expenditures | <u>\$ (9,497)</u> |

Required Supplemental Information

Village of Cassopolis
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended February 28, 2006

| | Budgeted Amounts | | | Favorable |
|---|-------------------------|-------------------|-------------------|----------------------|
| | Original | Final | Actual | (Unfavorable) |
| Revenues: | | | | |
| Taxes | \$ 493,291 | \$ 493,291 | \$ 486,070 | \$ (7,221) |
| Licenses and permits | 13,325 | 13,325 | 11,780 | (1,545) |
| Intergovernmental | 299,133 | 299,133 | 362,267 | 63,134 |
| Charges for services | 13,350 | 13,350 | 14,740 | 1,390 |
| Fines and forfeitures | 12,720 | 12,720 | 5,449 | (7,271) |
| Other | <u>100,206</u> | <u>100,206</u> | <u>131,101</u> | <u>30,895</u> |
| Total revenues | <u>932,025</u> | <u>932,025</u> | <u>1,011,407</u> | <u>79,382</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Council | 114,741 | 114,741 | 75,635 | 39,106 |
| Elections | - | - | 3,656 | (3,656) |
| Village manager | 99,408 | 99,408 | 103,813 | (4,405) |
| Treasurer | 8,450 | 8,450 | 8,644 | (194) |
| Clerk | 45,138 | 45,138 | 38,853 | 6,285 |
| Building and grounds | 59,881 | 59,881 | 71,365 | (11,484) |
| Other | <u>41,804</u> | <u>41,804</u> | <u>45,351</u> | <u>(3,547)</u> |
| Total general government | <u>369,422</u> | <u>369,422</u> | <u>347,317</u> | <u>22,105</u> |
| Public safety: | | | | |
| Police department | 333,203 | 333,203 | 344,365 | (11,162) |
| School crossing guard | 14,498 | 14,498 | 16,196 | (1,698) |
| Fire department | 85,244 | 85,244 | 154,218 | (68,974) |
| Building inspection | 26,916 | 26,916 | 20,149 | 6,767 |
| Street lighting | <u>25,000</u> | <u>25,000</u> | <u>24,845</u> | <u>155</u> |
| Total public safety | <u>484,861</u> | <u>484,861</u> | <u>559,773</u> | <u>(74,912)</u> |
| Recreation and culture: | | | | |
| Parks | <u>20,790</u> | <u>20,790</u> | <u>33,568</u> | <u>(12,778)</u> |
| Community and economic development: | | | | |
| Economic development | - | - | 15,836 | (15,836) |
| Planning commission | <u>19,700</u> | <u>19,700</u> | <u>1,847</u> | <u>17,853</u> |
| Total community and economic development | <u>19,700</u> | <u>19,700</u> | <u>17,683</u> | <u>2,017</u> |
| Debt service: | <u>20,252</u> | <u>20,252</u> | <u>20,252</u> | <u>-</u> |
| Total expenditures | <u>915,025</u> | <u>915,025</u> | <u>978,593</u> | <u>(63,568)</u> |
| Revenues Over (Under) Expenditures | <u>17,000</u> | <u>17,000</u> | <u>32,814</u> | <u>15,814</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>(17,000)</u> | <u>(17,000)</u> | <u>(42,782)</u> | <u>(25,782)</u> |
| Net Changes in Fund Balances | - | - | (9,968) | (9,968) |
| Fund Balances - Beginning of Year | <u>240,898</u> | <u>240,898</u> | <u>240,898</u> | <u>-</u> |
| Fund Balances - End of Year | <u>\$ 240,898</u> | <u>\$ 240,898</u> | <u>\$ 230,930</u> | <u>\$ (9,968)</u> |

Village of Cassopolis
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Major Street Fund
Year Ended February 28, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|---|-------------------------|--------------|---------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental | | | | |
| State shared revenue - gas and weight tax | \$ 95,590 | \$ 95,590 | \$ 102,500 | \$ 6,910 |
| Total revenues | 95,590 | 95,590 | 102,500 | 6,910 |
| Expenditures: | | | | |
| Highways and streets: | | | | |
| Construction | 3,000 | 3,000 | 2,665 | 335 |
| Routine maintenance | 23,600 | 23,600 | 19,313 | 4,287 |
| Winter maintenance | 24,300 | 24,300 | 17,125 | 7,175 |
| Traffic services | 1,050 | 1,050 | 435 | 615 |
| Roadside park | 16,840 | 16,840 | 10,718 | 6,122 |
| Administration | 26,800 | 26,800 | 23,973 | 2,827 |
| Total expenditures | 95,590 | 95,590 | 74,229 | 21,361 |
| Revenues Over (Under) Expenditures | - | - | 28,271 | 28,271 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | - | - | 15,899 | 15,899 |
| Net Changes in Fund Balances | - | - | 44,170 | 44,170 |
| Fund Balances - Beginning of Year | 43,204 | 43,204 | 43,204 | - |
| Fund Balances - End of Year | \$ 43,204 | \$ 43,204 | \$ 87,374 | \$ 44,170 |

Village of Cassopolis
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Local Street Fund
Year Ended February 28, 2006

| | <u>Budgeted Amounts</u> | | | <u>Favorable</u> |
|---|-------------------------|--------------|---------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>(Unfavorable)</u> |
| Revenues: | | | | |
| Intergovernmental | | | | |
| State shared revenue - gas and weight tax | \$ 40,376 | \$ 40,376 | \$ 35,011 | \$ (5,365) |
| Total revenues | 40,376 | 40,376 | 35,011 | (5,365) |
| Expenditures: | | | | |
| Highways and streets: | | | | |
| Routine maintenance | 16,415 | 16,415 | 18,379 | (1,964) |
| Winter maintenance | 14,415 | 14,415 | 17,083 | (2,668) |
| Administration | 9,546 | 9,546 | 8,236 | 1,310 |
| Total expenditures | 40,376 | 40,376 | 43,698 | (3,322) |
| Revenues Over (Under) Expenditures | - | - | (8,687) | (8,687) |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | - | - | 9,883 | 9,883 |
| Net Changes in Fund Balances | - | - | 1,196 | 1,196 |
| Fund Balances - Beginning of Year | 32,179 | 32,179 | 32,179 | - |
| Fund Balances - End of Year | \$ 32,179 | \$ 32,179 | \$ 33,375 | \$ 1,196 |

Other Supplemental Information

Village of Cassopolis
Combining Balance Sheet
Nonmajor Governmental Funds
February 28, 2006

| | <u>Special Revenue Funds</u> | | | | |
|---|------------------------------|------------------|--------------------|------------------|-------------------|
| | <u>Community</u> | <u>Cemetery</u> | <u>Drug Law</u> | <u>MSHDA</u> | <u>Total</u> |
| | <u>Development</u> | <u>Fund</u> | <u>Enforcement</u> | <u>Fund</u> | |
| | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> | |
| <u>Assets</u> | | | | | |
| Cash and cash equivalents | \$ 40,474 | \$ 43,766 | \$ 221 | \$ 32,273 | \$ 116,734 |
| Accounts receivable | 17,388 | - | - | - | 17,388 |
| Interest receivable | - | 223 | - | - | 223 |
| Prepaid expenditures | - | 188 | - | - | 188 |
| Total assets | <u>\$ 57,862</u> | <u>\$ 44,177</u> | <u>\$ 221</u> | <u>\$ 32,273</u> | <u>\$ 134,533</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 29,500 | \$ 29,500 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>29,500</u> | <u>29,500</u> |
| Fund Balances: | | | | | |
| Reserved for perpetual care | - | 44,177 | - | - | 44,177 |
| Unreserved; undesignated | <u>57,862</u> | <u>-</u> | <u>221</u> | <u>2,773</u> | <u>60,856</u> |
| Total fund balances | <u>57,862</u> | <u>44,177</u> | <u>221</u> | <u>2,773</u> | <u>105,033</u> |
| Total liabilities and fund balances | <u>\$ 57,862</u> | <u>\$ 44,177</u> | <u>\$ 221</u> | <u>\$ 32,273</u> | <u>\$ 134,533</u> |

Village of Cassopolis
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended February 28, 2006

| | Special Revenue Funds | | | | |
|---|---|--------------------------|--|-----------------------|-------------------|
| | Community Development Fund | Cemetery Fund | Drug Law Enforcement Fund | MSHDA Fund | Total |
| Revenues: | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 15,000 | \$ 15,000 |
| Charges for services | - | 18,370 | - | - | 18,370 |
| Other | 670 | - | - | - | 670 |
| Total revenues | <u>670</u> | <u>18,370</u> | <u>-</u> | <u>15,000</u> | <u>34,040</u> |
| Expenditures: | | | | | |
| General government | - | 33,646 | - | - | 33,646 |
| Public safety | - | - | 52 | - | 52 |
| Community and economic development | - | - | - | 23,265 | 23,265 |
| Total expenditures | <u>-</u> | <u>33,646</u> | <u>52</u> | <u>23,265</u> | <u>56,963</u> |
| Revenues Over (Under) Expenditures | <u>670</u> | <u>(15,276)</u> | <u>(52)</u> | <u>(8,265)</u> | <u>(22,923)</u> |
| Other Financing Sources (Uses): | | | | | |
| Operating transfers in | - | 17,000 | - | - | 17,000 |
| Total other financing sources (uses) | <u>-</u> | <u>17,000</u> | <u>-</u> | <u>-</u> | <u>17,000</u> |
| Net Changes in Fund Balances | 670 | 1,724 | (52) | (8,265) | (5,923) |
| Fund Balances - Beginning of Year | <u>57,192</u> | <u>42,453</u> | <u>273</u> | <u>11,038</u> | <u>110,956</u> |
| Fund Balances - End of Year | <u>\$ 57,862</u> | <u>\$ 44,177</u> | <u>\$ 221</u> | <u>\$ 2,773</u> | <u>\$ 105,033</u> |

Village of Cassopolis
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended February 28, 2006
(With Comparative Totals for the Prior Year)

| | <u>2006</u> | | <u>2005</u> | |
|-------------------------------|----------------|------------------|------------------------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Revenues: | | | | |
| Taxes: | | | | |
| Current property taxes | \$ 493,291 | \$ 486,070 | \$ (7,221) | \$ 446,460 |
| Total taxes | <u>493,291</u> | <u>486,070</u> | <u>(7,221)</u> | <u>446,460</u> |
| Licenses and permits: | | | | |
| Liquor license fees | 1,025 | 1,128 | 103 | 1,041 |
| Building permits | 7,000 | 6,681 | (319) | 10,159 |
| Other permits | <u>5,300</u> | <u>3,971</u> | <u>(1,329)</u> | <u>4,654</u> |
| Total licenses and permits | <u>13,325</u> | <u>11,780</u> | <u>(1,545)</u> | <u>15,854</u> |
| Intergovernmental: | | | | |
| State shared revenue | 222,875 | 222,406 | (469) | 250,390 |
| Federal grant | - | 69,840 | 69,840 | - |
| SWET reimbursement | 43,808 | 37,311 | (6,497) | 42,827 |
| Township fire protection | <u>32,450</u> | <u>32,710</u> | <u>260</u> | <u>65,763</u> |
| Total intergovernmental | <u>299,133</u> | <u>362,267</u> | <u>63,134</u> | <u>358,980</u> |
| Charges for services: | | | | |
| Franchise fees | 7,900 | 7,025 | (875) | 6,852 |
| Park fees | 200 | 150 | (50) | 150 |
| Rental inspection | 2,500 | 1,170 | (1,330) | 5,908 |
| Other fees | <u>2,750</u> | <u>6,395</u> | <u>3,645</u> | <u>900</u> |
| Total fees | <u>13,350</u> | <u>14,740</u> | <u>1,390</u> | <u>13,810</u> |
| Fines and forfeitures: | | | | |
| Parking fines - police | 220 | 224 | 4 | 205 |
| Ordinance fines - police | <u>12,500</u> | <u>5,225</u> | <u>(7,275)</u> | <u>5,376</u> |
| Total other | <u>12,720</u> | <u>5,449</u> | <u>(7,271)</u> | <u>5,581</u> |
| Other: | | | | |
| Interest | 1,100 | 15,361 | 14,261 | 7,191 |
| Building rental | 98,021 | 102,569 | 4,548 | 96,090 |
| Miscellaneous | <u>1,085</u> | <u>13,171</u> | <u>12,086</u> | <u>46,397</u> |
| Total other | <u>100,206</u> | <u>131,101</u> | <u>30,895</u> | <u>149,678</u> |
| Total revenues | <u>932,025</u> | <u>1,011,407</u> | <u>79,382</u> | <u>990,363</u> |

Village of Cassopolis
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended February 28, 2006
(With Comparative Totals for the Prior Year)

| | <u>2006</u> | | <u>2005</u> | |
|-------------------------------|----------------|----------------|------------------------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Council | | | | |
| Salaries | \$ 12,960 | \$ 10,885 | \$ 2,075 | \$ 22,620 |
| Fringe benefits | 1,495 | 1,084 | 411 | 2,196 |
| Audit fees | 9,700 | 294 | 9,406 | 14,945 |
| Legal fees | 25,000 | 30,547 | (5,547) | 26,816 |
| Legal publications | 2,500 | 4,272 | (1,772) | 1,869 |
| Contracted services | 5,000 | 341 | 4,659 | 335 |
| Ambulance service and payment | - | 180 | (180) | 1,950 |
| Insurance | 7,200 | 9,321 | (2,121) | 6,795 |
| Miscellaneous | 42,186 | 13,702 | 28,484 | 29,489 |
| Conference and travel | 4,000 | 76 | 3,924 | 4,905 |
| Dues | 1,700 | 1,447 | 253 | 1,608 |
| New equipment | 3,000 | 3,486 | (486) | - |
| Total council | <u>114,741</u> | <u>75,635</u> | <u>39,106</u> | <u>113,528</u> |
| Elections | | | | |
| Fees | - | 864 | (864) | 709 |
| Supplies | - | 2,792 | (2,792) | 740 |
| Printing and publishing | - | - | - | 132 |
| Total elections | <u>-</u> | <u>3,656</u> | <u>(3,656)</u> | <u>1,581</u> |
| Village manager | | | | |
| Salaries | 57,874 | 62,217 | (4,343) | 61,767 |
| Employee benefits | 29,017 | 34,696 | (5,679) | 22,593 |
| Dues | 1,000 | 625 | 375 | 622 |
| Office supplies | 1,200 | 793 | 407 | 916 |
| Telephone | 2,517 | 2,437 | 80 | 2,498 |
| Entertainment allowance | 900 | 144 | 756 | 169 |
| Capital outlay | 1,000 | - | 1,000 | 1,883 |
| Conference and travel | 1,900 | - | 1,900 | 1,875 |
| Miscellaneous | 1,500 | 345 | 1,155 | 555 |
| Automobile | 2,500 | 2,556 | (56) | 3,083 |
| Total village manager | <u>99,408</u> | <u>103,813</u> | <u>(4,405)</u> | <u>95,961</u> |
| Treasurer | | | | |
| Salaries | 6,000 | 5,984 | 16 | 4,050 |
| Employee benefits | 500 | 457 | 43 | 63 |
| Supplies | 1,650 | 1,839 | (189) | 1,486 |
| Capital outlay | 300 | 364 | (64) | 1,536 |
| Total treasurer | <u>8,450</u> | <u>8,644</u> | <u>(194)</u> | <u>7,135</u> |

Village of Cassopolis
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended February 28, 2006
(With Comparative Totals for the Prior Year)

| | <u>2006</u> | | <u>2005</u> | |
|----------------------------|----------------|----------------|------------------------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Clerk | | | | |
| Salaries | \$ 23,203 | \$ 30,539 | \$ (7,336) | \$ 27,688 |
| Employee benefits | 9,138 | 3,121 | 6,017 | 5,504 |
| Office supplies | 2,784 | 1,114 | 1,670 | 1,703 |
| Printing and publishing | 500 | - | 500 | 41 |
| Telephone | 2,393 | 1,461 | 932 | 1,967 |
| Computer supplies | 500 | 199 | 301 | 256 |
| Miscellaneous | 1,650 | 997 | 653 | 2,609 |
| Equipment maintenance | 1,020 | 215 | 805 | - |
| Capital outlay | 1,000 | - | 1,000 | - |
| Conference and travel | <u>2,950</u> | <u>1,207</u> | <u>1,743</u> | <u>2,917</u> |
| Total clerk | <u>45,138</u> | <u>38,853</u> | <u>6,285</u> | <u>42,685</u> |
| Building and grounds | | | | |
| Custodial services | - | 1,474 | (1,474) | 1,596 |
| Electricity and heat | 39,500 | 31,936 | 7,564 | 38,124 |
| Insurance | 8,681 | 8,654 | 27 | 8,592 |
| Contracted services | 3,200 | 5,934 | (2,734) | 2,434 |
| Bank building project | - | - | - | 3,900 |
| Miscellaneous | 3,000 | 2,401 | 599 | 6,709 |
| Building maintenance | <u>5,500</u> | <u>20,966</u> | <u>(15,466)</u> | <u>20,604</u> |
| Total building and grounds | <u>59,881</u> | <u>71,365</u> | <u>(11,484)</u> | <u>81,959</u> |
| Other | | | | |
| Wages | 35,000 | 30,946 | 4,054 | 30,909 |
| Employee benefits | 3,000 | 2,548 | 452 | 2,725 |
| Christmas lights | 2,000 | 654 | 1,346 | 1,255 |
| Equipment rental | - | 10,197 | (10,197) | 15,772 |
| Miscellaneous | - | - | - | 313 |
| Sidewalk maintenance | <u>1,804</u> | <u>1,006</u> | <u>798</u> | <u>259</u> |
| Total other | <u>41,804</u> | <u>45,351</u> | <u>(3,547)</u> | <u>51,233</u> |
| Total general government | <u>369,422</u> | <u>347,317</u> | <u>22,105</u> | <u>394,082</u> |

Village of Cassopolis
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended February 28, 2006
(With Comparative Totals for the Prior Year)

| | <u>2006</u> | | | <u>2005</u> |
|----------------------------------|----------------|----------------|------------------------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Expenditures (Continued): | | | | |
| Public safety: | | | | |
| Police department | | | | |
| Salaries | \$ 193,291 | \$ 192,284 | \$ 1,007 | \$ 195,648 |
| SWET secretary wages | 21,684 | 22,447 | (763) | 21,766 |
| Employee benefits | 82,920 | 79,921 | 2,999 | 74,585 |
| Office supplies | 1,000 | 2,388 | (1,388) | 2,052 |
| Uniforms | 2,500 | 3,841 | (1,341) | 3,007 |
| Operating supplies | 500 | 534 | (34) | 318 |
| Legal fees | 5,000 | 9,485 | (4,485) | 12,112 |
| Contracted services | - | - | - | 680 |
| Telephone | 3,000 | 3,342 | (342) | 3,953 |
| Equipment maintenance | 7,200 | 14,247 | (7,047) | 12,454 |
| Insurance | 7,172 | 6,818 | 354 | 6,769 |
| Equipment rental | 3,936 | 4,450 | (514) | 2,640 |
| Miscellaneous | 2,500 | 2,876 | (376) | 3,323 |
| Conference and travel | 2,000 | 1,389 | 611 | 2,004 |
| Capital outlay | - | - | - | 8,619 |
| Health and safety concerns | 500 | 343 | 157 | 963 |
| Total police department | <u>333,203</u> | <u>344,365</u> | <u>(11,162)</u> | <u>350,893</u> |
| School crossing guard | | | | |
| Wages | 12,878 | 14,610 | (1,732) | 13,837 |
| Employee benefits | 1,220 | 1,436 | (216) | 1,602 |
| Operating supplies | 400 | 150 | 250 | 44 |
| Total school crossing guard | <u>14,498</u> | <u>16,196</u> | <u>(1,698)</u> | <u>15,483</u> |
| Fire department | | | | |
| Fees | 24,300 | 26,413 | (2,113) | 24,542 |
| Benefits | 5,694 | 6,336 | (642) | 6,008 |
| Operating supplies | 3,500 | 4,324 | (824) | 2,500 |
| Legal fees | 2,000 | - | 2,000 | - |
| Telephone | 1,650 | 2,310 | (660) | 2,129 |
| Gasoline and oil | 650 | 1,332 | (682) | 708 |
| Maintenance of trucks | 3,600 | 7,629 | (4,029) | 4,357 |
| Insurance | 7,200 | 6,845 | 355 | 6,782 |
| Electricity and heat | 2,500 | 5,021 | (2,521) | 4,876 |
| Building maintenance | 1,500 | 2,836 | (1,336) | 1,833 |
| Equipment maintenance | 2,000 | 4,489 | (2,489) | 5,070 |
| Hydrant rental | 19,000 | - | 19,000 | - |
| Miscellaneous | 2,000 | 3,083 | (1,083) | 2,518 |
| Conference and travel | 1,500 | 1,631 | (131) | 1,191 |
| Health and safety concerns | 150 | 1,102 | (952) | - |
| Capital outlay | 8,000 | 80,867 | (72,867) | 13,109 |
| Total fire department | <u>85,244</u> | <u>154,218</u> | <u>(68,974)</u> | <u>75,623</u> |

Village of Cassopolis
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended February 28, 2006
(With Comparative Totals for the Prior Year)

| | <u>2006</u> | | | <u>2005</u> |
|--|----------------|----------------|------------------------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Expenditures (Continued): | | | | |
| Public safety (continued): | | | | |
| Building inspection | | | | |
| Fees | \$ 6,400 | \$ 4,615 | \$ 1,785 | \$ 6,532 |
| Wages | 12,220 | 8,880 | 3,340 | 1,435 |
| Building fund fees | 8,296 | 6,654 | 1,642 | 8,021 |
| Operating supplies | - | - | - | 373 |
| Total building inspection | <u>26,916</u> | <u>20,149</u> | <u>6,767</u> | <u>16,361</u> |
| Street lighting | | | | |
| Electricity | <u>25,000</u> | <u>24,845</u> | <u>155</u> | <u>26,368</u> |
| Total public safety | <u>484,861</u> | <u>559,773</u> | <u>(74,912)</u> | <u>484,728</u> |
| Recreation and culture: | | | | |
| Parks | | | | |
| Wages | 10,000 | 19,940 | (9,940) | 17,926 |
| Employee benefits | 840 | 1,627 | (787) | 1,656 |
| Operating supplies | 3,200 | 3,028 | 172 | 1,607 |
| Equipment rental | - | 1,522 | (1,522) | 1,554 |
| Miscellaneous | 250 | 990 | (740) | 392 |
| Mowing expense | <u>6,500</u> | <u>6,461</u> | <u>39</u> | <u>8,158</u> |
| Total recreation and culture | <u>20,790</u> | <u>33,568</u> | <u>(12,778)</u> | <u>31,293</u> |
| Community and economic development: | | | | |
| Economic development | | | | |
| Dues | - | 200 | (200) | 150 |
| Advertising and promotion | - | 2,097 | (2,097) | 1,106 |
| Contracted services | - | 13,272 | (13,272) | 7,137 |
| Miscellaneous | <u>-</u> | <u>267</u> | <u>(267)</u> | <u>2,172</u> |
| Total economic development | <u>-</u> | <u>15,836</u> | <u>(15,836)</u> | <u>10,565</u> |
| Planning commission | | | | |
| Wages | 1,500 | 1,160 | 340 | 815 |
| Employee benefits | 100 | 89 | 11 | 193 |
| Supplies | 100 | 75 | 25 | - |
| Contracted services | <u>18,000</u> | <u>523</u> | <u>17,477</u> | <u>-</u> |
| Total planning commission | <u>19,700</u> | <u>1,847</u> | <u>17,853</u> | <u>1,008</u> |
| Total community and economic development | <u>19,700</u> | <u>17,683</u> | <u>2,017</u> | <u>11,573</u> |

Village of Cassopolis
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended February 28, 2006
(With Comparative Totals for the Prior Year)

| | <u>2006</u> | | <u>2005</u> | |
|---|-------------------|-------------------|------------------------------------|-------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Expenditures (Continued): | | | | |
| Debt service | | | | |
| Principal | \$ 8,612 | \$ 9,707 | \$ (1,095) | 9,143 |
| Interest | <u>11,640</u> | <u>10,545</u> | <u>1,095</u> | <u>11,110</u> |
| Total debt service | <u>20,252</u> | <u>20,252</u> | <u>-</u> | <u>20,253</u> |
| Total expenditures | <u>915,025</u> | <u>978,593</u> | <u>(63,568)</u> | <u>941,929</u> |
| Revenues Over (Under) Expenditures | <u>17,000</u> | <u>32,814</u> | <u>15,814</u> | <u>48,434</u> |
| Other Financing Sources (Uses): | | | | |
| Operating transfers out | | | | |
| Cemetery | <u>(17,000)</u> | <u>(42,782)</u> | <u>(25,782)</u> | <u>(17,000)</u> |
| Total other financing sources (uses) | <u>(17,000)</u> | <u>(42,782)</u> | <u>25,782</u> | <u>(17,000)</u> |
| Net Changes in Fund Balances | - | (9,968) | (9,968) | 31,434 |
| Fund Balances - Beginning of Year | <u>240,898</u> | <u>240,898</u> | <u>-</u> | <u>209,464</u> |
| Fund Balances - End of Year | <u>\$ 240,898</u> | <u>\$ 230,930</u> | <u>(9,968)</u> | <u>\$ 240,898</u> |

Village of Cassopolis
Statement of Revenues, Expenditures
and Changes in Net Assets - Budget to Actual
Sewer Fund
Year Ended February 28, 2006
(With Comparative Totals for the Prior Year)

| | <u>2006</u> | | <u>2005</u> | |
|---|-------------------|-------------------|------------------------------------|-------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Operating Revenues: | | | | |
| Charges for services | \$ 318,347 | \$ 320,835 | \$ 2,488 | \$ 301,530 |
| Penalties | 4,600 | 6,228 | 1,628 | 4,748 |
| Miscellaneous | - | 1,700 | 1,700 | 3,075 |
| Total operating revenues | <u>322,947</u> | <u>328,763</u> | <u>5,816</u> | <u>309,353</u> |
| Operating Expenses: | | | | |
| Wages | 46,745 | 55,852 | (9,107) | 55,544 |
| Employee benefits | 35,250 | 25,392 | 9,858 | 25,130 |
| Supplies | 10,000 | 7,423 | 2,577 | 14,660 |
| Uniforms | 800 | 426 | 374 | 471 |
| Audit fees | 3,500 | 147 | 3,353 | 6,460 |
| Telephone | 2,500 | 1,646 | 854 | 2,160 |
| Insurance | 1,850 | 1,761 | 89 | 1,747 |
| Electricity and gas | 10,300 | 12,304 | (2,004) | 10,270 |
| Equipment maintenance | 14,000 | 16,972 | (2,972) | 27,905 |
| Equipment rental | 6,000 | 7,452 | (1,452) | 7,484 |
| Legal fees | - | 2,486 | (2,486) | - |
| Depreciation | - | 28,710 | (28,710) | 28,752 |
| Miscellaneous | 5,000 | 19,241 | (14,241) | 17,243 |
| Sewer treatment | 88,200 | 115,511 | (27,311) | 105,251 |
| Capital outlay | 6,500 | 1,171 | 5,329 | 2,137 |
| Total operating expenses | <u>230,645</u> | <u>296,494</u> | <u>(65,849)</u> | <u>305,214</u> |
| Operating Income | <u>92,302</u> | <u>32,269</u> | <u>(60,033)</u> | <u>4,139</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Interest income | 11,000 | 5,552 | 5,448 | 6,101 |
| Interest expense and fiscal charges | <u>(102,902)</u> | <u>(33,213)</u> | <u>69,689</u> | <u>(38,153)</u> |
| Total non-operating revenues (expenses) | <u>(91,902)</u> | <u>(27,661)</u> | <u>64,241</u> | <u>(32,052)</u> |
| Net Income | <u>400</u> | <u>4,608</u> | <u>4,208</u> | <u>(27,913)</u> |
| Net Assets - Beginning of Year | <u>362,634</u> | <u>362,634</u> | <u>-</u> | <u>390,547</u> |
| Net Assets - End of Year | <u>\$ 363,034</u> | <u>\$ 367,242</u> | <u>\$ 4,208</u> | <u>\$ 362,634</u> |

Village of Cassopolis
Statement of Revenues, Expenditures
and Changes in Net Assets - Budget to Actual
Water Fund
Year Ended February 28, 2006
(With Comparative Totals for the Prior Year)

| | <u>2006</u> | | | <u>2005</u> |
|---|---------------------|---------------------|------------------------------------|---------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Operating Revenues: | | | | |
| Charges for services | \$ 270,381 | \$ 296,313 | \$ 25,932 | \$ 272,615 |
| Vandalia charges for services | 34,107 | 41,164 | 7,057 | 35,995 |
| Penalties | 6,100 | 6,818 | 718 | 5,906 |
| Trash revenues | 57,000 | 58,591 | 1,591 | 58,206 |
| DEQ grant | - | - | - | 2,500 |
| Miscellaneous | 8,534 | 2,714 | (5,820) | 70,287 |
| Total operating revenues | <u>376,122</u> | <u>405,600</u> | <u>29,478</u> | <u>445,509</u> |
| Operating Expenses: | | | | |
| Wages | 63,592 | 71,286 | (7,694) | 79,281 |
| Employee benefits | 38,140 | 29,195 | 8,945 | 27,327 |
| Supplies | 25,150 | 18,531 | 6,619 | 18,582 |
| Uniforms | 850 | 468 | 382 | 778 |
| Audit fees | 6,300 | 147 | 6,153 | 6,460 |
| Telephone | 5,700 | 5,253 | 447 | 5,184 |
| Insurance | 3,075 | 2,925 | 150 | 3,307 |
| Contracted services | 6,500 | 6,700 | (200) | 10,438 |
| Electricity and gas | 20,450 | 23,310 | (2,860) | 21,335 |
| Equipment maintenance | 5,955 | 6,317 | (362) | 5,774 |
| Equipment rental | 12,000 | 12,536 | (536) | 12,030 |
| Depreciation | 6,500 | 150,465 | (143,965) | 149,394 |
| Miscellaneous | 1,730 | 3,042 | (1,312) | 7,511 |
| Trash expense | 65,000 | 59,052 | 5,948 | 57,718 |
| Capital outlay | - | 1,171 | (1,171) | 489 |
| Total operating expenses | <u>260,942</u> | <u>390,398</u> | <u>(129,456)</u> | <u>405,608</u> |
| Operating Income | <u>115,180</u> | <u>15,202</u> | <u>(99,978)</u> | <u>39,901</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Sale of supplies | - | 901 | (901) | 992 |
| Interest income | 1,005 | 2,421 | (1,416) | 1,604 |
| Hydrant and building rental | 19,000 | - | 19,000 | - |
| Interest expense and fiscal charges | (135,185) | (80,228) | 54,957 | (63,975) |
| Total non-operating revenues (expenses) | <u>(115,180)</u> | <u>(76,906)</u> | <u>38,274</u> | <u>(61,379)</u> |
| Net Income | <u>-</u> | <u>(61,704)</u> | <u>(61,704)</u> | <u>(21,478)</u> |
| Net Assets - Beginning of Year | <u>3,028,921</u> | <u>3,028,921</u> | <u>-</u> | <u>3,050,399</u> |
| Net Assets - End of Year | <u>\$ 3,028,921</u> | <u>\$ 2,967,217</u> | <u>\$ (61,704)</u> | <u>\$ 3,028,921</u> |

Village of Cassopolis
Statement of Revenues, Expenditures
and Changes in Net Assets - Budget to Actual
C.A.U.A. Fund
Year Ended February 28, 2006
(With Comparative Totals for the Prior Year)

| | <u>2006</u> | | <u>2005</u> | |
|---------------------------------------|--------------------|--------------------|------------------------------------|--------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Operating Revenues: | | | | |
| Charges for services | \$ 295,475 | \$ 340,400 | \$ 44,925 | \$ 372,343 |
| Authority revenues | - | (62,415) | (62,415) | - |
| Total operating revenues | <u>295,475</u> | <u>277,985</u> | <u>(17,490)</u> | <u>372,343</u> |
| Operating Expenses: | | | | |
| Wages | 55,170 | 52,999 | 2,171 | 56,003 |
| Employee benefits | 38,455 | 25,204 | 13,251 | 24,453 |
| Supplies | 12,500 | 11,789 | 711 | 11,439 |
| Uniforms | 800 | 731 | 69 | 842 |
| Audit fees | 2,500 | 147 | 2,353 | 1,751 |
| Telephone | 7,000 | 7,031 | (31) | 7,220 |
| Insurance | 4,850 | 4,614 | 236 | 4,580 |
| Electricity and gas | 24,000 | 26,143 | (2,143) | 25,758 |
| Equipment maintenance | 29,000 | 16,542 | 12,458 | 38,115 |
| Equipment rental | 4,500 | 4,788 | (288) | 4,763 |
| Depreciation | 1,700 | 2,351 | (651) | 2,813 |
| Miscellaneous | 1,500 | 3,563 | (2,063) | 8,723 |
| Sewer treatment | 104,000 | 125,677 | (21,677) | 115,760 |
| Capital outlay | 500 | - | 500 | 631 |
| Bioxide treatment | 7,000 | - | 7,000 | 6,610 |
| Miss dig | <u>2,000</u> | <u>1,813</u> | <u>187</u> | <u>1,752</u> |
| Total operating expenses | <u>295,475</u> | <u>283,392</u> | <u>12,083</u> | <u>311,213</u> |
| Operating Income | <u>-</u> | <u>(5,407)</u> | <u>(5,407)</u> | <u>61,130</u> |
| Net Assets - Beginning of Year | <u>(61,592)</u> | <u>(61,592)</u> | <u>-</u> | <u>(122,722)</u> |
| Net Assets - End of Year | <u>\$ (61,592)</u> | <u>\$ (66,999)</u> | <u>\$ (5,407)</u> | <u>\$ (61,592)</u> |

Village of Cassopolis
Statement of Revenues, Expenditures
and Changes in Net Assets - Budget to Actual
Equipment Fund
Year Ended February 28, 2006
(With Comparative Amounts for the Prior Year)

| | <u>2006</u> | | <u>2005</u> | |
|---------------------------------------|-------------------|-------------------|------------------------------------|-------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Operating Revenues: | | | | |
| Rental income | \$ 57,224 | \$ 67,021 | \$ 9,797 | \$ 77,792 |
| Interest | <u>5,000</u> | <u>-</u> | <u>(5,000)</u> | <u>122</u> |
| Total operating revenues | <u>62,224</u> | <u>67,021</u> | <u>4,797</u> | <u>77,914</u> |
| Operating Expenses: | | | | |
| Wages | 5,410 | 6,268 | (858) | 5,654 |
| Employee benefits | 814 | 835 | (21) | 905 |
| Supplies | 8,000 | 7,948 | 52 | 9,892 |
| Audit fee | 2,000 | 147 | 1,853 | 6,460 |
| Gas and oil | 15,000 | 17,840 | (2,840) | 15,016 |
| Fleet insurance | 6,500 | 6,168 | 332 | 6,137 |
| Electricity and heat | 3,500 | 3,254 | 246 | 2,714 |
| Building maintenance | 4,500 | 2,687 | 1,813 | 2,324 |
| Equipment Maintenance | 15,000 | 20,263 | (5,263) | 14,504 |
| DPW rent | 500 | - | 500 | - |
| Miscellaneous | 1,000 | 853 | 147 | 806 |
| Depreciation | - | 27,215 | (27,215) | 34,016 |
| Small equipment | <u>-</u> | <u>312</u> | <u>(312)</u> | <u>2,808</u> |
| Total operating expenses | <u>62,224</u> | <u>93,790</u> | <u>(31,566)</u> | <u>101,236</u> |
| Operating Income | <u>-</u> | <u>(26,769)</u> | <u>(26,769)</u> | <u>(23,322)</u> |
| Net Assets - Beginning of Year | <u>148,948</u> | <u>148,948</u> | <u>-</u> | <u>172,270</u> |
| Net Assets - End of Year | <u>\$ 148,948</u> | <u>\$ 122,179</u> | <u>\$ (26,769)</u> | <u>\$ 148,948</u> |

Village of Cassopolis
Water Fund
Schedule of Bonded Indebtedness
February 28, 2006

Series 1989B Revenue Bonds

| <u>Issue Date</u> | <u>Amount of Issue</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>2/29/2005</u> | <u>2/28/2006</u> | <u>Interest Payable</u> |
|-----------------------|----------------------------|--------------------------|--------------------------|-------------------|-------------------|-----------------------------|
| May 8, 1989 | \$ 745,000 | | | | | |
| | | 7.60% | 3/1/2006 | \$ 65,000 | | |
| | | 7.60% | 3/1/2007 | 70,000 | \$ 70,000 | \$ 5,355 |
| | | 7.65% | 3/1/2008 | 70,000 | 70,000 | 2,677 |
| | | | | <u>\$ 205,000</u> | <u>\$ 140,000</u> | <u>\$ 8,032</u> |

Series 1998 Revenue Bonds

| <u>Issue Date</u> | <u>Amount of Issue</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>2/29/2005</u> | <u>2/28/2006</u> | <u>Interest Payable</u> |
|-----------------------|----------------------------|--------------------------|--------------------------|-------------------|-------------------|-----------------------------|
| March 1, 1998 | \$ 1,025,000 | | | | | |
| | | 4.50% | 3/1/2006 | \$ 12,000 | | |
| | | 4.50% | 3/1/2007 | 13,000 | \$ 13,000 | \$ 42,413 |
| | | 4.50% | 3/1/2008 | 14,000 | 14,000 | 41,805 |
| | | 4.50% | 3/1/2009 | 14,000 | 14,000 | 41,175 |
| | | 4.50% | 3/1/2010 | 15,000 | 15,000 | 40,522 |
| | | 4.50% | 3/1/2011 | 15,000 | 15,000 | 39,848 |
| | | 4.50% | 3/1/2012 | 16,000 | 16,000 | 39,150 |
| | | 4.50% | 3/1/2013 | 17,000 | 17,000 | 38,407 |
| | | 4.50% | 3/1/2014 | 18,000 | 18,000 | 37,620 |
| | | 4.50% | 3/1/2015 | 18,000 | 18,000 | 36,810 |
| | | 4.50% | 3/1/2016 | 20,000 | 20,000 | 35,955 |
| | | 4.50% | 3/1/2017 | 20,000 | 20,000 | 35,055 |
| | | 4.50% | 3/1/2018 | 21,000 | 21,000 | 34,132 |
| | | 4.50% | 3/1/2019 | 22,000 | 22,000 | 33,165 |
| | | 4.50% | 3/1/2020 | 23,000 | 23,000 | 32,153 |
| | | 4.50% | 3/1/2021 | 24,000 | 24,000 | 31,095 |
| | | 4.50% | 3/1/2022 | 25,000 | 25,000 | 29,992 |
| | | 4.50% | 3/1/2023 | 26,000 | 26,000 | 28,845 |
| | | 4.50% | 3/1/2024 | 28,000 | 28,000 | 27,630 |
| | | 4.50% | 3/1/2025 | 28,000 | 28,000 | 26,370 |
| | | 4.50% | 3/1/2026 | 30,000 | 30,000 | 25,065 |
| | | 4.50% | 3/1/2027 | 31,000 | 31,000 | 23,692 |
| | | 4.50% | 3/1/2028 | 33,000 | 33,000 | 22,253 |
| | | 4.50% | 3/1/2029 | 34,000 | 34,000 | 20,745 |
| | | 4.50% | 3/1/2030 | 36,000 | 36,000 | 19,170 |
| | | 4.50% | 3/1/2031 | 37,000 | 37,000 | 17,527 |
| | | 4.50% | 3/1/2032 | 39,000 | 39,000 | 15,818 |
| | | 4.50% | 3/1/2033 | 41,000 | 41,000 | 14,017 |
| | | 4.50% | 3/1/2034 | 42,000 | 42,000 | 12,150 |
| | | 4.50% | 3/1/2035 | 45,000 | 45,000 | 10,193 |
| | | 4.50% | 3/1/2036 | 46,000 | 46,000 | 8,145 |
| | | 4.50% | 3/1/2037 | 49,000 | 49,000 | 6,007 |
| | | 4.50% | 3/1/2038 | 51,000 | 51,000 | 3,758 |
| | | 4.50% | 3/1/2039 | 58,000 | 58,000 | 1,305 |
| | | | | <u>\$ 961,000</u> | <u>\$ 949,000</u> | <u>\$ 871,987</u> |

Village of Cassopolis
Sewer Fund
Schedule of Bonded Indebtedness
February 28, 2006

Series 1989A Revenue Bonds

| <u>Issue Date</u> | <u>Amount of Issue</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>2/29/2005</u> | <u>2/28/2006</u> | <u>Interest Payable</u> |
|-----------------------|----------------------------|--------------------------|--------------------------|-------------------|-------------------|-----------------------------|
| May 8, 1989 | \$ 995,000 | | | | | |
| | | 7.60% | 3/1/2006 | \$ 70,000 | | |
| | | 7.60% | 3/1/2007 | 75,000 | \$ 75,000 | \$ 13,821 |
| | | 7.65% | 3/1/2008 | 80,000 | 80,000 | 10,952 |
| | | 7.65% | 3/1/2009 | 85,000 | 85,000 | 7,892 |
| | | 7.70% | 3/1/2010 | 95,000 | 95,000 | 4,620 |
| | | 7.70% | 3/1/2011 | 25,000 | 25,000 | 962 |
| | | | | <u>\$ 430,000</u> | <u>\$ 360,000</u> | <u>\$ 38,247</u> |



June 14, 2006

Members of Village Council
Village of Cassopolis
Cassopolis, Michigan

We have audited the financial statements of the Village of Cassopolis for the year ended February 28, 2006, and have issued our report thereon dated June 14, 2006.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

WILLIS & JURASEK, P.C.

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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded during the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village's financial reporting process (that is, cause future financial statements to be materially misstated). We recorded a total of 61 journal entries to adjust various balances, some of which had a material effect on the financial statements of the Village.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

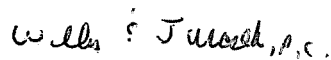
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Village Council and management of the Village and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Willis & Jurasek, P.C.

Village of Cassopolis
Comments and Recommendations
Year Ended February 28, 2006

Prior Year Repeat Comments

Journal Entries and Year End Adjustments

As noted above, many journal entries were needed at year end. We made a total of 61 journal entries. However, none of the entries affected the reconciled cash balances. Many of the entries dealt with depreciation, charges for equipment rent and reversing entries made in the prior year. We have discussed many of these with current Management and feel that significant improvement needs to be made in future years. Most of the entries should be recorded prior to the audit by the Village staff. We intend to be in communication with the Village staff during the year and prior to next years audit to help ensure improvement in this area.

Budget to Actual Results

The Village maintains and adopts an annual budget. The budget should be compared periodically during the course of the year. Reports can be generated and presented to the Council on a monthly or quarterly basis that compares the actual results to the budget. This would allow for appropriate amendments to be made as needed. It would also allow the Village Manager to make recommendations on a timely basis to the Council for their action and allow the Council to help understand the financial results and their implications.

During the year ended February 28, 2006 there were several areas where actual expenditures exceeded final budgets amounts. Monthly or quarterly analysis of the budget to actual results would help eliminate this situation.

It is important that as part of this process that disbursements and receipts are recorded on a consistent basis as to the coding of the revenue or expenditure. Improper coding of entries will result in budget comparisons that are not accurate.

Segregation of Duties

It appears that money received for the water and sewer billings are received by the recorded in the utility billing by the same individual that who prepares the bank deposit slips for these items. This is a lack of proper segregation of duties. We recommend this practice be evaluated and the duties split. This would allow for better segregation of duties and more sound accounting practices.

Deficit Retained Earnings

The C.A.U.A. Fund still remains in a deficit balance at the end of February 28, 2005. The net asset deficit at the end of the year was \$66,999. The actual net income was a loss of approximately \$5,400. The operations of this fund still needs to be monitored closely to return it to a positive net asset balance. Final audited amounts should be used to do final requests for amounts to be reimbursed at the end of each fiscal year. It appears that requests are made without taking any adjustments that are being made at year end, which is resulting in losses to continue.

Village of Cassopolis
Comments and Recommendations
Year Ended February 28, 2006
(Continued)

Record Keeping and Year End Reports

We would recommend that upon completion of the annual audit and after any adjustments required to your internal general ledger that the Village set up an appropriate schedule of items and reports to be printed and stored for record retention purposes. This would include your detail general ledger for all funds, the trial balances for all funds and financial statements for all funds. These should be stored and maintained to allow the Village to adhere to record retention rules.

In addition you should adopt a policy of monthly reports that are to be prepared as appropriate, which should include your budget to actual results and activity for each month that the Board can better monitor the activities during the year.

Current Year Comments

Bank Reconciliations

On your bank reconciliations there are many old outstanding items that need to be addressed. It was noted during the audit that many of these were outstanding from the prior year. These need to be addressed and handled as deemed appropriate. Some of the outstanding checks appear to be several years old.

Also, while the bank reconciliations are being done for the main bank accounts, some of the smaller funds are not being reconciled. Also, your investment accounts are not being adjusted during the year. These should all be part of the monthly process of reconciling all cash and investment accounts.

General Ledger Activity

A couple of the smaller funds are not being maintained on the general ledger throughout the year. While the activity is minor in nature and sometimes no more than interest earnings, it should still be recorded monthly and cash balances reconciled to the general ledgers for these small funds.

MSHDA Fund

This fund needs to be closed out during the coming year. It appears there have been issues in the past with some of the activity in these funds and at this point this particular grant is final. Final entries appear to be needed to pay funds to the Community Development Fund to write off a couple of the note balances that have been paid off though fund coming from the MSHDA activity as noted in some of the letters regarding the uses of these funds.

Community Development Fund

This fund has cash balances of approximately \$40,000 and note receivable of approximately \$17,000. Some of the amounts owed on the notes receivable are not being repaid. An effort should be made to collect on these inactive balances. Also, the fund appears to have no other activity than collections of the loans. What was the origination of these funds and their intended use? An attempt should be made to determine the appropriate source and use of these funds and take action as appropriate.

Village of Cassopolis
Comments and Recommendations
Year Ended February 28, 2006
(Continued)

Charges for Permit Fees

You are currently charging less for permit fees than the cost of the operations associated with them. The Village may want to consider the fee structure to help cover the cost of these areas. Under the current system the General Fund is in essence absorbing these excess costs.

Payroll

As a time saving feature and possible cost savings, the Village may consider going to a by-weekly pay system. You are currently running payroll weekly and are paying current each week for the wages earned in the same time period.

It is fairly customary to withhold a week salary and pay on a bi-weekly basis. This allows for less pressure to get the payroll generated on such a short time span.

Overall Comment

While the tone of our recommendations sounds a little harsher, the audit itself went much quicker this for this past fiscal year. We feel the time has come for the Village to clean up several of the areas that are being addressed in this letter. We do realize that the timing between last years audit and this years audit did not allow much time to address some of the issues as discussed before. It was noted that there appears to be a lack of cooperation among some of the departments within the Village, which appears to be partially resulting in a lack of addressing some items that need attention. We are always here to help throughout the year and can answer questions as to appropriate accounting and division of responsibilities between the various departments.